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ANN BAVENDER\*  
ANNE GOODWIN CRUMP  
VINCENT J. CURTIS, JR.  
PAUL J. FELDMAN  
FRANK R. JAZZO  
ANDREW S. KERSTING  
EUGENE M. LAWSON, JR.  
SUSAN A. MARSHALL\*  
HARRY C. MARTIN  
RAYMOND J. QUIANZON  
LEONARD R. RAISH  
JAMES P. RILEY  
ALISON J. SHAPIRO  
KATHLEEN VICTORY  
JENNIFER DINE WAGNER\*  
HOWARD M. WEISS  
ZHAO XIAOHUA\*

\* NOT ADMITTED IN VIRGINIA

FLETCHER, HEALD & HILDRETH, P.L.C.

ATTORNEYS AT LAW

11th FLOOR, 1300 NORTH 17th STREET

ARLINGTON, VIRGINIA 22209-3801

(703) 812-0400

TELECOPIER

(703) 812-0486

INTERNET

www.fhh-telcomlaw.com

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RETIRED MEMBERS  
RICHARD HILDRETH  
GEORGE PETRUTSAS

CONSULTANT FOR INTERNATIONAL AND  
INTERGOVERNMENTAL AFFAIRS  
SHELDON J. KRYG  
U.S. AMBASSADOR (ret.)

OF COUNSEL  
EDWARD A. CAINE\*  
DONALD J. EVANS\*  
MITCHELL LAZARUS  
EDWARD S. O'NEILL\*

WRITER'S DIRECT

(703) 812-0403

feldman@fhh-telcomlaw.com

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FEB 2 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND**

Magalie Roman Salas, Esquire  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, SW, Room TWB204  
Washington, D.C. 20554

Re: **Ex Parte Presentation**  
**CC Dockets 96-45/97-160**

Dear Ms. Salas:

This letter is to inform you that on February 1, 2001, an *ex parte* presentation was made to members of the staff of the Common Carrier Bureau regarding a Petition for Reconsideration and a Petition for Limited Waiver previously filed by Roseville Telephone Company and pending in CC Dockets 96-45 and 97-160. An original and four copies of the written presentation given to the staff members are attached hereto. In addition to the attached presentation, pleadings previously filed in these dockets by Roseville Telephone Company were also distributed.

If additional copies of this filing are needed, or should any questions arise concerning this matter, please contact me.

Very truly yours,



Paul J. Feldman

Counsel for Roseville Telephone Company

PJF:jpg

Enclosure

cc (w/o encls.):

Dorothy Atwood Esq.  
Carol Matthey, Esq.  
Katherine Schroder, Esq.  
Jack Zinman, Esq.  
Sharon Webber, Esq.  
Mr. Glenn Brown  
Mr. Jack Day

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# **Roseville Telephone Company**

**January, 2001**

# What is the Problem?

- **The Commission sought to differentiate between “large” and “small” LECs for universal service reform.**
  - Different cost structures
  - Smaller LECs have greater reliance on USF
- **The Commission chose to use the “rural/non-rural” definition as defined in the 1996 Act as the dividing point.**
  - Generally, “non-rural” means > 100K lines in a study area.
  - Current USF rules have a major “kink” in the support curve at 200K lines:
    - Areas < 200K lines receive 65% of costs from fund, vs. 10% in areas > 200K lines.
  - Different treatment For high-cost funding:
    - “Non-rural” ⇒ proxy cost model
    - “Rural” ⇒ Rural Task Force methodology
  - There is no statutory obligation to use “rural/non-rural” as the dividing point. (10th R&O ¶ 458)
- **Roseville, alone among the mid-size LECs, is grouped with large price cap holding companies for determination of universal service funding.**
  - As a result, Roseville’s customers lose the benefit of federal high-cost support.

# Roseville's Filings

- **Petition for Reconsideration (Filed December 30, 1999)**
  - Smaller mid-size carriers are placed in the same category as LECs hundreds of times their size, thus basing support on models designed for carriers with significantly different economies of scale and scope.
  - The Rural/Non-Rural dividing point (i.e., 100K lines) ignores the vastly different way in which current USF rules treat study areas with less than 200K lines (i.e., 65% vs. 10% support).
  - Two alternative proposals for remedy:
    - Use the definition of "Rural Carrier" from 251(f)(2) (i.e., 2% carriers), or
    - Use 200K lines as the break point between "large" and "small".
- **Petition for Limited Waiver (Filed November 13, 2000)**
  - The "hold-harmless" provisions of the Commission's Non-Rural order may be eliminated as soon as January 1, 2001.
  - Requests that Roseville be allowed to continue receiving support under current rules until the Commission has ruled on the PFR.

# Roseville is Different

- Roseville is very different from the “Big 5” holding companies:

| <u>Company</u> | <u>Loops</u> <sup>*</sup> | <u>Wire Centers</u> <sup>**</sup> | <u>Form of Regulation</u> |
|----------------|---------------------------|-----------------------------------|---------------------------|
| Verizon        | 62,276,224                | 6,248                             | PC/CALLS                  |
| SBC            | 58,918,970                | 3,217                             | PC/CALLS                  |
| BellSouth      | 24,780,115                | 1,591                             | PC/CALLS                  |
| Qwest          | 16,883,785                | 1,259                             | PC/CALLS                  |
| Sprint         | 7,874,408                 | 1,371                             | PC/CALLS                  |
| Roseville      | 123,520                   | 2                                 | RoR/MAG                   |

<sup>\*</sup> Source: Trends in Telephone Service, released December 21, 2000

<sup>\*\*</sup> Source: BCPM3

- The proxy model uses a single set of nationwide cost inputs based on cost structure of the “Big 5”.
- The Rural Task Force found that the model is not accurate at the individual wire center level, and is inappropriate for LECs that serve relatively few wire centers.

# Roseville is Different

- **Under the prior USF rules, study areas with less than 200K lines receive significantly more support:**
  - Under 200K lines receives 65% of costs over 115% of national average
  - Over 200K lines receives 10% of costs over 115% of national average
- **Roseville depends more heavily on USF than the big 5 to maintain affordable customer rates:**

| Company          | USF as % of Loop Rev. Req. |
|------------------|----------------------------|
| Verizon          | 0.5%                       |
| Verizon (w/o PR) | 0.2%                       |
| SBC              | 0.0%                       |
| BellSouth        | 0.2%                       |
| Sprint           | 0.1%                       |
| U S WEST         | 0.3%                       |
| <b>Roseville</b> | <b>4.5%</b>                |

- **Roseville is clearly outside the range of the “non-rural” LECs, yet well within the range of the “rural” LECs.**
  - Of the 773 “rural” study areas that settle on a cost basis, 145 study areas serving 39% of these rural lines have a ratio less than Roseville’s 4.5%

# **Roseville is Different**

- **Roseville is the only “non-rural” study area receiving hold-harmless support that is rate-of-return regulated.**
- **The MAG Plan proposes a comprehensive universal service and access reform solution for rate-of-return companies.**
- **If Roseville is considered a price cap company (which it is not) for universal service, and a rate-of-return company for access reform, then it can not benefit from holistic nature of the MAG plan.**

# Summary of Oppositions

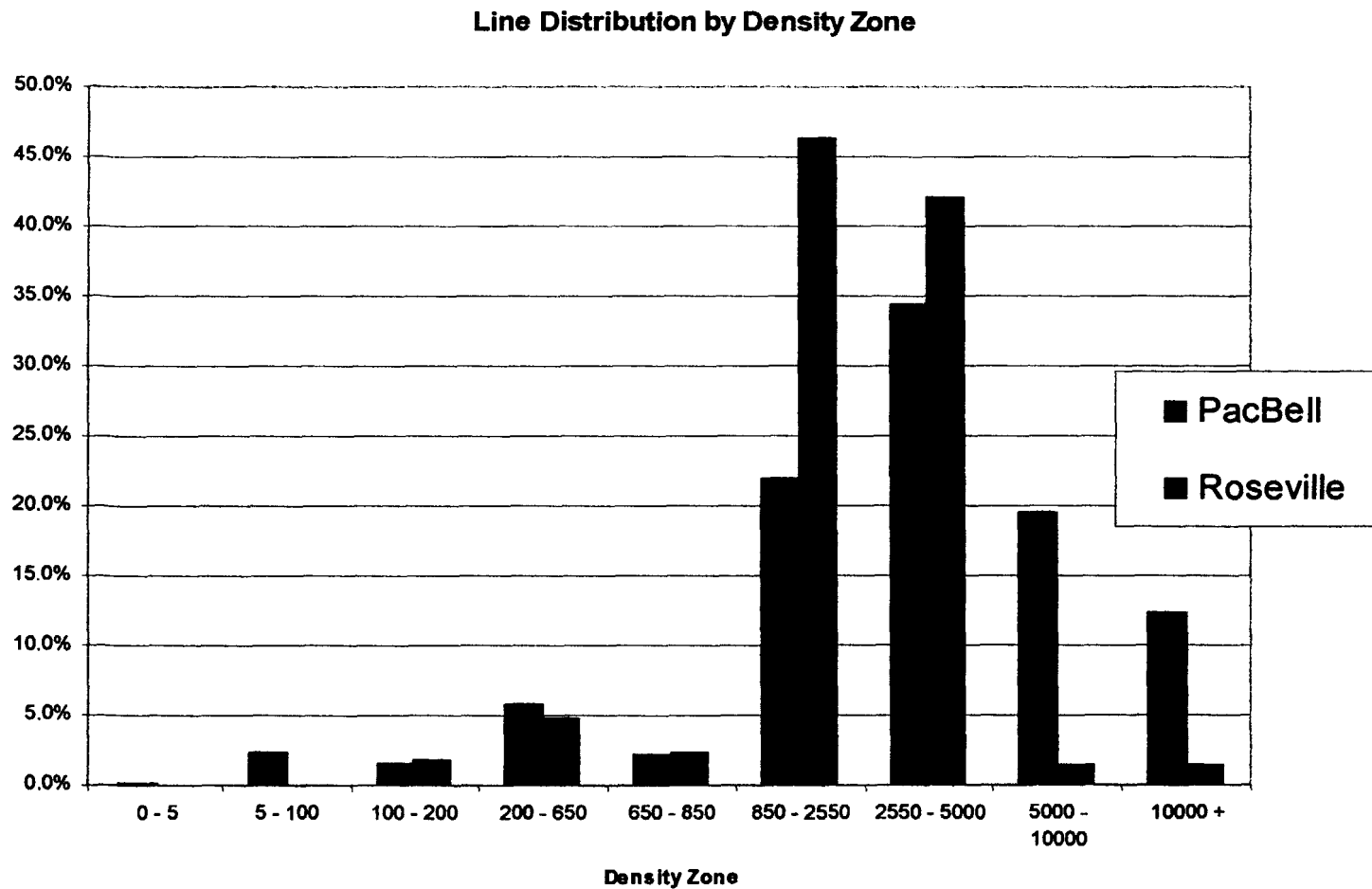
| Party      | Issue  | Response   |
|------------|--|--|
| California | Roseville will use "rural" designation to avoid interconnection obligations under Section 251.     | <ul style="list-style-type: none"> <li>• Roseville is not seeking to be designated as a "rural" carrier.</li> <li>• We are seeking a change in the break point to recognize current USF rules.</li> <li>• Roseville is meeting interconnection obligations and the CPUC is in position to monitor and enforce.</li> </ul>  |
|            | Roseville is treated under the California "New Regulatory Framework" (NRF)                         | <ul style="list-style-type: none"> <li>• Both "non-rural" and "rural" LECs are currently under the NRF.</li> </ul>   |
|            | Congress intended the "rural" designation to apply for both interconnection and universal service. | <ul style="list-style-type: none"> <li>• Section 254 does not contain the words "Rural Telephone Company"</li> <li>• The FCC itself recognized that it was not required to use the rural/non-rural distinction. (10<sup>th</sup> R&amp;O Paragraph 458)</li> <li>• CPUC requires Citizens, a rural company for Universal Service, to allow competition and interconnection.</li> </ul>   |
| AT&T       | The Commission cannot ignore the rural LEC definition mandated by congress.                        | <ul style="list-style-type: none"> <li>• See above.</li> <li>• "Rural/Non-Rural" has nothing to do with the break-point for applying the proxy model.</li> </ul>   |
|            | A LECs ownership structure has little if any impact on the cost of providing service.              | <ul style="list-style-type: none"> <li>• The proxy model uses a single nationwide set of cost inputs based upon the experience of the large holding companies.</li> <li>• Roseville is less than 1/100<sup>th</sup> the size of the "big 5" holding companies and has nowhere near the scale and scope economies.</li> <li>• The RTF has found that the model is inaccurate for companies with relatively few wire centers.</li> </ul> |
|            | Roseville's average line density is more like a non-rural company than a rural company.            | <ul style="list-style-type: none"> <li>• Averages are misleading.</li> <li>• Roseville does not have many lines in the highest (least costly) density zones as a typical RBOC would.</li> <li>• See Chart.</li> </ul>  |



# Conclusion

- **Roseville is different than the Big 5 holding companies with which it is grouped for universal service fund determination.**
  - It is radically smaller
  - It has different cost characteristics
  - It relies more heavily on explicit support
  - It is rate-of-return regulated
- **Roseville should be grouped with the other rate-of-return companies for comprehensive universal service and access charge reform.**
- **Time is of the essence.**
  - Hold harmless phase-out began 1/1/01
  - NECA reporting for 2001 HCL begins soon
  - There are two ways to remedy
    - Grant the Waiver
    - Rule on the PFR

# Roseville's Line Density vs. PacBell



## Roseville is Unlike the "Non-Rurals" and More Like the "Rurals"

| Non-Rural |                      |           |           |              | Wire Centers™ |         |
|-----------|----------------------|-----------|-----------|--------------|---------------|---------|
| State     | Study Area Name      | Loops*    | HCL Fact. | Annual*      | Study Area    | Company |
| CO        | U S WEST, INC. - CO  | 2,700,930 | 10%       | \$1,302,924  | 168           | 1259    |
| SC        | SOUTHERN BELL-SC     | 1,498,861 | 10%       | \$4,189,920  | 117           | 1591    |
| MS        | SO CENTRAL BELL-MS   | 1,314,884 | 10%       | \$6,806,364  | 205           | 1591    |
| KY        | SO CENTRAL BELL-KY   | 1,233,794 | 10%       | \$197,904    | 181           | 1591    |
| PR        | PUERTO RICO TEL CO   | 1,143,596 | 10%       | \$30,095,556 | 85            | 6248    |
| AR        | SOUTHWESTERN BELL-AR | 1,025,080 | 10%       | \$3,158,676  | 138           | 3217    |
| WV        | C & P TEL CO OF WV   | 842,964   | 10%       | \$930,132    | 142           | 6248    |
| NM        | U S WEST, INC. - NM  | 803,945   | 10%       | \$1,763,376  | 65            | 1259    |
| IN        | GTE NORTH INC. - IN  | 771,539   | 10%       | \$243,348    | 76            | 6248    |
| KY        | GTE SOUTH INC. - KY  | 455,423   | 10%       | \$600,888    | 42            | 6248    |
| MT        | U S WEST, INC. - MT  | 365,398   | 10%       | \$371,028    | 73            | 1259    |
| VT        | NEW ENGLAND TEL-VT   | 349,773   | 10%       | \$181,668    | 82            | 6248    |
| VA        | CENDEL OF VIRGINIA   | 296,195   | 10%       | \$1,516,932  | 62            | 6248    |
| MO        | CONTEL MO DBA GTE MO | 266,343   | 10%       | \$3,023,904  | 44            | 6248    |
| WY        | U S WEST, INC. - WY  | 246,410   | 10%       | \$3,820,488  | 29            | 1259    |
| TX        | CONTEL TX DBA GTE TX | 234,478   | 10%       | \$899,556    | 175           | 6248    |
| TX        | CENDEL OF TEXAS      | 223,660   | 10%       | \$296,892    | 49            | 1371    |
| NC        | GTE SOUTH INC - NC   | 219,617   | 10%       | \$958,272    | 27            | 6248    |
| PR        | P R T C - CENTRAL    | 172,480   | 65%       | \$26,333,316 | 2             | 6248    |
| AL        | GTE SOUTH INC. - AL  | 167,300   | 65%       | \$5,597,544  | 38            | 6248    |
| MO        | GTE NORTH INC. - MO  | 130,892   | 65%       | \$6,994,752  | 44            | 6248    |
| CA        | ROSEVILLE TEL CO     | 122,593   | 65%       | \$1,727,100  | 2             | 2       |
| AL        | CONTEL AL DBA GTE AL | 121,946   | 65%       | \$3,799,488  | 53            | 6248    |

Non-Rural list includes all Non-Rural Study Areas that receive HCL support

| Rural |                      |         |           |              | Wire Centers™ |         |
|-------|----------------------|---------|-----------|--------------|---------------|---------|
| State | Study Area Name      | Loops*  | HCL Fact. | Annual*      | Study Area    | Company |
| GA    | ALLTEL GEORGIA COMM. | 306,393 | 10%       | \$2,695,212  | 69            | 596     |
| NY    | CITIZENS TELECOM-NY  | 263,703 | 10%       | \$1,423,896  | 126           | 387     |
| MO    | UTC OF MISSOURI      | 259,996 | 10%       | \$1,665,900  | 80            | 1371    |
| WA    | CENTURYTEL-WA        | 169,839 | 65%       | \$14,547,288 | N/A           | 231     |
| TX    | UTC OF TEXAS INC     | 161,370 | 65%       | \$18,998,424 | 60            | 1371    |
| MN    | UTC OF MINNESOTA     | 153,689 | 65%       | \$1,732,824  | 46            | 1371    |
| ID    | GTE NORTHWEST INC-ID | 131,106 | 65%       | \$6,554,700  | 29            | 6248    |
| TX    | LUFKIN-CONROE TEL EX | 109,385 | 65%       | \$3,074,088  | 16            | 16      |
| CA    | CITIZENS UTIL OF CA  | 108,923 | 65%       | \$9,062,268  | 34            | 387     |
| AR    | CONTEL AR DBA GTE AR | 105,452 | 65%       | \$3,197,976  | 44            | 6248    |
| AR    | ALLTEL ARKANSAS INC  | 103,169 | 65%       | \$9,481,116  | 61            | 596     |
| SC    | UTC OF THE CAROLINAS | 102,831 | 65%       | \$1,439,340  | 19            | 1371    |
| KY    | CONTEL KY DBA GTE KY | 95,776  | 65%       | \$5,735,916  | 42            | 6248    |
| AZ    | CITIZENS UTILITIES   | 90,019  | 65%       | \$4,640,964  | 16            | 387     |
| GA    | GEORGIA ALLTEL TELCO | 89,250  | 65%       | \$5,375,880  | 40            | 596     |
| AR    | GTE SOUTHWEST INC-AR | 88,040  | 65%       | \$8,416,584  | 47            | 6248    |
| WV    | CUC DBA CITIZENS WVA | 87,574  | 65%       | \$7,672,260  | 57            | 387     |
| WA    | UTC OF THE NW-WA     | 86,881  | 65%       | \$289,368    | 31            | 1371    |
| FL    | ALLTEL FLORIDA INC.  | 83,655  | 65%       | \$2,474,424  | 27            | 596     |

Rural list includes all Rural Study Areas over 80K lines that receive HCL support

SOURCE \* NECA 4Q2000 Administrative Filing Appendix HC1

\*\* BCPM 3.0